

Message Text

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AMEMBASSY BELGRADE

C O N F I D E N T I A L EC BRUSSELS 9680

E.O. 11652: GDS

TAGS: EAID, EEC, YU

SUBJECT: EEC-YUGOSLAVIA ECONOMIC RELATIONS

REFS: (A) BELGRADE 6064; (B) ECA-46

1. RECENT DISCUSSIONS WITH COMMISSION OFFICIALS IN DG I RESPONSIBLE FOR EC-YUGOSLAV RELATIONS AND WITH COUNSELOR IN YUGOSLAV MISSION TO EC HAVE ELICITED THE FOLLOWING INFORMATION WITH REGARD TO LAST TWO ITEMS IN REFTEL:

A. DRAFT YUGOSLAV PROTOCOL. THE YUGOSLAVS FILED WITH EC COMMISSION SOMETIME DURING THE SUMMER A DRAFT PROTOCOL TO 1973 EC-YUGOSLAV NON-PREFERENTIAL AGREEMENT WHICH CALLS FOR FURTHER EVOLUTION OF YUGOSLAV-EC TRADE, INDUSTRIAL, SCIENTIFIC, AND CULTURAL RELATIONS AS ENVISAGED IN 1973 AGREEMENT. COMMISSION IS NOW STUDYING THE YUGOSLAV DRAFT. WHILE NEITHER COMMISSION NOR YUGOSLAV OFFICIAL WERE VERY SPECIFIC ABOUT WHAT DRAFT CONTAINS, THEY IMPLIED THAT YUGOSLAV PROPOSALS RELATE INTER ALIA, TO IMPROVING PROSPECTS FOR YUGOSLAV PRODUCTS IN EC (YUGOSLAVS ARE INTERESTED ABOVE ALL IN REMOVING CURRENT EC BAN ON ALL BEEF, PARTICULARLY BABY BEEF), BETTER EC-WIDE CONDITIONS AND BENEFITS FOR YUGOSLAV WORKERS, AND ENHANCED RELATIONS IN THE INDUSTRIAL FIELD.

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THEY INDICATED THAT WHILE THE DRAFT PROTOCOL "MAY" ALSO CALL FOR STRENGTHENED TIES IN SCIENTIFIC AND CULTURAL FIELDS,

IT IS HARD TO ENVISAGE EXACTLY HOW THAT WOULD BE ACCOMPLISHED
IN PRACTICE.

B. EUROPEAN INVESTMENT BANK (EIB) LOANS.

COMMUNITY AND UUGOSLAVIA HAVE NOT YET DECIDED WHAT TYPES
OF PROJECTS EIB WILL SUPPORT PURSUANT TO EC COUNCIL DECISION
LAST JANUARY TO PLEDGE TO YUGOSLAVIA 50 MILLION U.A. IN EIB
FUNDS FOR "MUTUALLY BENEFICIAL" PROJECTS.
COMMISSION AND GOY ARE CURRENTLY DISCUSSING INFORMALLY SEVERAL
POSSIBLE UNDERTAKINGS IN TRANSPORTATION AND TELECOMMUNICATIONS
FIELDS. ACCORDING TO YUGOSLAV MISSION OFFICER, GOY WOULD LIKE
TO BUILD HIGHWAY LINKING ITALY AND GREECE, WHICH ALSO APPEALS
TO EC, BUT WORRIES ABOUT EXPECTED HIGH COSTS (SEE REF B).
HE SAID GOY WOULD NEED OUTSIDE FINANCIAL HELP WELL ABOVE 50
MILLION U.A. WHICH MIGHT BE MADE AVAILABLE BE EIB BEFORE
COMMITTING ITSELF TO PROJECT. YUGOSLAV OFFICER THOUGHT ROAD
IDEA NOT COMPLETELY DEAD, BUT NOTED THAT FOLLOWING RECENT
REASSESSMENT OF OVERALL COSTS OF PROJECT, GOY INTEREST
HAD COOLED CONSIDERABLY.

2. EC OFFICIALS INFORM US THAT THERE IS ALSO AN INTERNAL EC
DISPUTE OVER POSSIBLE GUARANTEES FOR THE PROPOSED EIB LOAN
TO YUGOSLAVIA. THIS HAS ALSO CAUSED SOME DELAY IN IMPLEMENTING
THE PROPOSAL. OFFICIALS AGREED, HOWEVER, THAT EC COUNCIL
COMMITMENT TO SEE THAT YUGOSLAVIA GETS UP TO 50 U.A. IN EIB
LOANS REMAINS VALID.HINTON

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